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TREASURY FOR GLASER, D.

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TAGS: [EFIN](#) [KNNP](#) [KTFN](#) [KPAL](#) [PREL](#) [IS](#)
SUBJECT: GAZA CASH CRISIS: CBG FISCHER CALLS FOR USG
ASSISTANCE

REF: STATE 122043

Classified By: CDA Luis G. Moreno for Reasons 1.4 (b) and (d)

1.(U) This is an action request; see para (7).

SUMMARY

2.(C) In a November 21 conversation in which reftel demarche was delivered, Econcouns pressed Bank of Israel Governor, Stanley Fischer, to find a solution to the Gaza banking services impasse and expressed the USG's desire to prevent a termination of correspondent banking services to Gaza by Israeli commercial banks Hapoalim and Discount. Fischer did not indicate to Econcouns that the Bank of Israel (BOI) intends to put pressure on the Israeli commercial banks to postpone or withdraw their plan to discontinue providing services to Palestinian banks in the Gaza Strip. He explained that the alternative, forcing the recalcitrant Postal Bank into providing services to Gaza, would be extremely difficult given both the current political climate and the procedural complexities that have resulted from the dissolution of the Knesset. Fischer said that he did not expect a resolution to the problem before reaching the deadline set by the Israeli commercial banks. The BOI governor suggested that the USG raise the issue with the Ministries of Finance and Communication, the latter of which oversees Postal Bank. End Summary.

DEMARCHE DELIVERED

3.(C) In a November 21 conversation with Central Bank Governor Stanley Fischer, Econcouns communicated USG concern over the possible termination of banking services by Israeli commercial banks Hapoalim and Discount (see reftel). Econcouns told Central Bank Governor (CBG) Fischer that the USG strongly supported the BOI finding a solution to the problem before the November 30 deadline set by Hapoalim in order to prevent the Gaza banking sector from failing.

THE BOI CANNOT INDEMNIFY

4.(C) CBG Fischer told Econcouns that he understands the USG concerns regarding the Gazan economy; however, he also said he understands the concerns of the Israeli commercial banks vis-a-vis their business interests. Referencing the lawsuits against which

Hapoalim and Discount have been defending themselves as a result of their services to Palestinian banks, Fischer stated that the GOI could not meet the banks' demands to be indemnified by the GOI in any future lawsuit of a similar nature. While Fischer said the move would be untenable for political reasons, he also said that it would create a dangerous precedent for the GOI in its relationship to the commercial sector.

BOI EFFORTS TO SHIFT RELATIONSHIP TO POSTAL BANK
STYMIED

5.(U) Despite the fact that the Israeli Postal Bank (IPB) does not want the business, Fischer said the BOI has continued its efforts to shift provision of Gaza services to them. Forcing the Postal Bank into a relationship that was clearly not in its commercial interests would require approval by the Finance Committee or a plenary in the Knesset. While also complicated by procedural difficulties arising from the Knesset's recent dissolution, Fischer said that the situation of abducted soldier, Gilad Shalit, would make that decision politically difficult to deliver. (NOTE: Gilad Shalit is an Israeli soldier held hostage in Gaza since June, 2006. Shalit's situation is followed closely by the Israeli public and has become an issue of national concern. Any effort perceived as helpful to Gaza is generally frowned upon by the Israeli public. END NOTE.) Given these obstacles, Fischer said that he did not expect a resolution to the situation by November 30.

BOI REQUESTS EMBASSY,S ASSISTANCE

6.(C) Given resistance within the Israeli government to forcing the Postal Bank into the relationship, Fischer asked Econcouns for the embassy's assistance in putting pressure on key Israeli officials. He said it would be helpful to raise the issue with the Ministry of Finance and the Ministry of Communication, the latter of which is responsible for overseeing the Postal Bank. Econcouns offered the embassy's help and said that Embassy officials would call on the ministers or DGs at these ministries as soon as possible, provided we got a green light from Washington to do so.

ACTION REQUEST

7.(C) Action requested: Embassy stands ready to press MOF and MOC to "encourage" the Postal Bank to take up the Gaza banking relationship, if Washington agencies agree that we should do so. Please advise.

Visit Embassy Tel Aviv's Classified Website:
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's Classified SIPRNET website.

MORENO